

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

SKILLING	-	JEFF SKILLING
RICE	-	KEN RICE
HANNON	-	KEVIN HANNON
CROWDER	-	JIM CROWDER
BARNARD	-	MARLA BARNARD
CARNEY	-	JULIE CARNEY (Phonetic)
PATRICK	-	PATRICK Last Name Unknown (LNU)
MOSS	-	KEVIN MOSS
CHRISTINE	-	CHRISTINE LNU
DOUG	-	DOUG LNU
JOYCE	-	JOYCE LNU
DAVID	-	DAVID LNU
TED	-	TED LNU
UM	-	UNIDENTIFIED MALE
UF	-	UNIDENTIFIED FEMALE
UI	-	UNINTELLIGIBLE

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1 **Beginning of Tape 1 of 2:**

2 RICE - Mike on? Uh, thank you all for uh, for coming out early this morning. I'd  
3 like to uh, welcome the Portland office uh, the people in Pleasanton uh,  
4 and uh, also uh, let the people in Pleasanton know that unfortunately we're  
5 not gonna be able to take questions from you today um, at this meeting but  
6 EVERETT PLANTE and LINDA STRAHM will be coming down uh,  
7 later on this afternoon to uh, to address the things we're gonna talk about  
8 today. Uh, look we just wanted to get uh, the company together. We're  
9 meeting with you today, Pleasanton this afternoon and Houston tomorrow  
10 and we only have an hour because we're on a pretty tight schedule. But, as  
11 you know, we started uh, building this business a couple of years ago at a  
12 time when uh, the telecom space was uh, was really rocking. It was a hot  
13 space and uh, uh, we're really geared up to go after two key business  
14 opportunities. Our intermediation business and our content delivery  
15 business. And uh, what we've seen the last uh, six to eight months is an  
16 absolute meltdown in really both of those businesses. In the  
17 telecommunications space, both in the streaming business, as well as in the  
18 circuits business. Now, we've continued to grow our business and build

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1 out and...and develop both of those businesses and we've uh, we've really  
2 been successful in getting the intermediation business up and going,  
3 although it hasn't generated the revenues that we had hoped. Primarily  
4 because the industry in general is...is really depressed today. Um, but what  
5 we're also finding out is that the content delivery business just doesn't have  
6 revenues uh, today. Really, in...in any part of the business. So uh, we've  
7 had to step back like a lot of other companies uh, in this space and uh, and  
8 figure out how to go forward. And what we've gotta do is we have really  
9 got to focus on a couple of areas. One is continuing to build out our Enron  
10 Intelligent Network, but do that the way we've gotta do it to build our  
11 intermediation business. And that's to focus on connectivity and pooling  
12 points, and to begin trading and intermediating business in...in that space.  
13 And as I mentioned, we've had quite a bit of good experience. We've  
14 increased our transactions to o...over 700 in that side of the business, but  
15 we have really got to focus on building that out, because the market isn't  
16 gonna give us any easy wins. On the content delivery business, we have  
17 really gotta retrench. Uh, what we have learned is there, especially in  
18 today's market, there is no real revenue stream on the content delivery side.

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1                   We continue to be optimistic about the long term prospects for that  
2                   business, but the way we have to approach it, is we have to focus on one or  
3                   two or...or a handful of very significant high quality content deals. And  
4                   uh, and so, as a result of all these things that are going on, we're gonna  
5                   make some organizational changes uh, in the way we approach the  
6                   business and we wanted to talk to you all about that today. Uh, I do wanna  
7                   address one additional thing uh, just to clarify that for...for everybody. Uh,  
8                   a couple of weeks ago we terminated our BLOCKBUSTER arrangement.  
9                   It really doesn't have anything to do with what we're talking about today.  
10                  Um, it has to do with BLOCKBUSTER's inability to get quality content.  
11                  And as I said, what we're gonna focus on, on the content delivery side is a  
12                  relatively small team talking directly with studios to try and aggregate  
13                  content for our VOD platform. So uh, I'm gonna let KEVIN talk a little bit  
14                  about some of the specific uh, changes that are gonna take place. But in  
15                  general, what we're gonna do is we're really gonna focus on two things.  
16                  One is the intermediation business and building out a switching platform  
17                  to make that business work and kind of get in the trenches and work that  
18                  uh, it's almost like hand-to-hand combat. We've gotta build that business

